

Investigating the effect of financing technology startups in the UAE: An explorative study

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Summary

Technology entrepreneurship and innovation are important pillars for the UAE Vision 2021. In promoting innovation, the UAE government has accelerated the creation of new technology innovative start-up companies. Various incentives have been implemented, such as the establishment of free zone companies and high-tech startup accelerators and incubators. One of the most important strategic goals of the UAE vision 2021 is to successfully build an innovation-driven economy as part of its measure to diversify its current economy away from the oil sector.

In this paper, we examine the impact of investment funds and capital injections on supporting early-stage technology companies to contribute to economic growth. Our results indicate that the investment injections in the United Arab Emirates (UAE) is substantially different from developed countries (i.e., USA, Europe, or Japan) in that the vast majority of the funds derive from the secondary market and debt-financing. Results have also shown that high-tech industry in the UAE has grown substantially in recent years, with investment funds growing from about US\$150 million in 2010 to more than US\$20 billion in 2021. Using Crunchbase data platform as the basis of our analysis, we examine the evolution, trends, and progress made on early-stage technology companies in the UAE across time with investment capital injections, and to examine its impact on innovation, economic value, and job creation. The research also aims to determine strong predictors for strategizing the best approaches for high economic growth and investment returns.